

RIDGEWORTH INSIGHTS: INVESTMENT GRADE FIXED INCOME



SEIX INVESTMENT ADVISORS LLC®



James F. Keegan
Senior Portfolio Manager,
RidgeWorth Investments

Chief Investment Officer
and Chairman,
Seix Investment Advisors



Perry Troisi
Senior Portfolio Manager,
RidgeWorth Investments

Managing Director,
Seix Investment Advisors



Michael Rieger
Senior Portfolio Manager,
RidgeWorth Investments

Managing Director,
Seix Investment Advisors



Seth Antiles, PhD
Senior Portfolio Manager,
RidgeWorth Investments

Managing Director,
Seix Investment Advisors



Carlos Catoya
Portfolio Manager,
RidgeWorth Investments

Head of Investment Grade
Credit Research,
Seix Investment Advisors



Jon Yozzo
Portfolio Manager,
RidgeWorth Investments

Head of Investment Grade
Corporate Bond Trading,
Seix Investment Advisors

EXECUTIVE SUMMARY

- Investors were concerned about global growth and fled risk assets during the first six weeks of the quarter, causing Treasuries to rally.
- Central bank actions calmed investors' fears, leading to a rebound in riskier bonds.
- We think deflationary forces in the global economy will keep interest rates low for the foreseeable future.

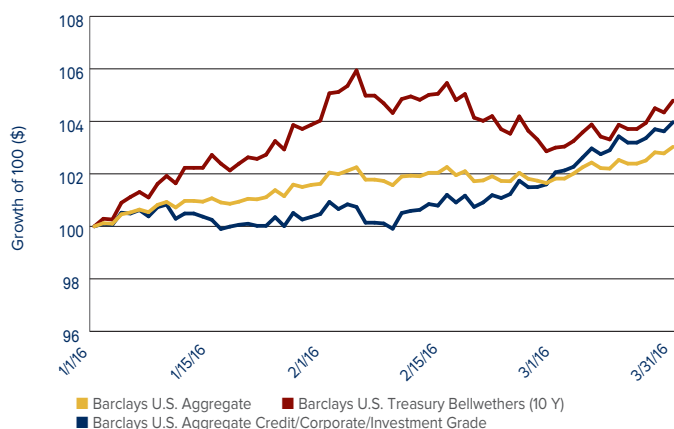
The first quarter was a tale of two markets. Investors fled risk during the first six weeks of the year, causing Treasury securities to rally and credit to underperform. The situation partially reversed itself midway through the first quarter: Investors became more comfortable with risk, helping credit sectors recover while Treasury yields remained near the lows in terms of yields.

RIDGEWORTH FUNDS

RidgeWorth Seix Core Bond
RidgeWorth Seix Corporate Bond
RidgeWorth Seix Limited Duration
RidgeWorth Seix Short-Term Bond
RidgeWorth Seix Total Return Bond
RidgeWorth Seix U.S. Government Securities
Ultra-Short Bond
RidgeWorth Seix U.S. Mortgage
RidgeWorth Seix Ultra-Short Bond

RIDGEWORTH INSIGHTS: INVESTMENT GRADE FIXED INCOME

The Barclays U.S. Aggregate Bond Index finished the first quarter up 3.03%.¹ The Barclays U.S. Treasury Index rose 3.20% as the yield on the 10-year Treasury fell to 1.77% from 2.27% at the start of the year.¹

Exhibit 1: Index Performance – 1Q16


Source: Barclays

CENTRAL BANKS SOOTHE INVESTORS' FEARS

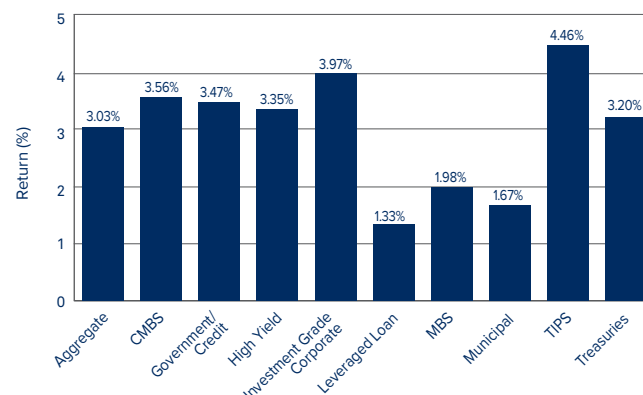
The aversion to risk early in the period reflected concerns about anemic growth globally, and a particular concern about a slowdown in China. The yield on the 10-year Treasury note fell from 2.27% to begin the year to 1.66% as of February 11 as investors sought safety, while spreads between yields on Treasuries and on lower-credit securities widened considerably.

Central banks once again came to the markets' rescue. The Bank of Japan surprised investors on January 29 when it announced that it would adopt a negative interest rate policy. On February 11, Federal Reserve Bank (Fed) Chair Janet Yellen gave dovish testimony to the Senate Banking Committee, and later in the quarter the Fed's "dot plot" signaled a less aggressive policy in 2016 (two versus

four rate hikes). Then the European Central Bank cut its deposit rate further into negative territory, increased its Quantitative Easing program and expanded the eligible collateral to include non-financial corporate bonds.

These central bank actions put a floor under risk assets. Fed dovishness also led to a weakening of the dollar, which contributed to rebounds in prices for oil and other commodities. After plunging in late 2015 and the first few weeks of 2016, crude oil prices increased from a low of \$26.21 per barrel on February 11 to \$39.75 at the end of the quarter. Lower quality and higher beta securities led the market during the last six weeks of the period. Yields on Treasuries rose modestly, while credit spreads tightened significantly from the wides in February.

Bonds overall finished the three-month period with strong total returns, despite the market's volatility. Virtually all fixed income sectors posted solid returns for the quarter as a whole.

Exhibit 2: Fixed Income Performance – 1Q16


Sources: Barclays; Credit Suisse

¹ Source: Barclays



Collective Strength. Individual Insight.

Please contact **866.595.2470** or visit **www.ridgeworth.com** for more information.

OUTLOOK: STILL LOWER FOR LONGER

We expect deflationary pressures—including excessive debt, excess global capacity, slowing productivity, aging demographics, tepid potential U.S. growth and China's transition from an industrial to a consumer economy—to continue to exceed inflationary pressures. The threat of deflation or disinflation is likely to cause central banks to remain highly accommodative for the foreseeable future, and to keep long-term interest rates low for an extended period of time.

The U.S. and global economies remain weak. We see a one-in-two likelihood of a global recession—defined as global growth below 3%—in the next 12 months, and a one-in-three chance of recession for the U.S. economy. Given that economic backdrop and global deflationary pressures, we expect no more than one interest rate hike in the United States this year, and in fact, we think the

federal funds rate is more likely to fall back to 0% than to rise to 1%. We expect the 10-year Treasury note to yield between 1.5% to 2.0% during the next 12 months, but we would not be surprised if the yield falls closer to 1%.

China and Europe present major risks. We think China will have to weaken its currency, which could destabilize the markets. We believe Europe is stagnating economically, which could polarize politics and threaten social stability, a situation worsened by the refugee crisis.

We expect oil production to decrease in the coming months, bringing inventories closer to the five-year average by year-end and supporting higher prices. As a result, we see value in bonds issued by well-run energy companies with the financial strength to weather market distress.

Barclays Govt/Credit Bond Index is an unmanaged Index that tracks the performance of US Government and corporate bonds rated investment grade or better, with maturities of at least one year.

Barclays Municipal Bond Index is an unmanaged index that is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. bonds, which includes reinvestment of any earnings and is widely used to measure the overall performance of the U.S. bond market.

Barclays U.S. Mortgage Backed Securities Index is an unmanaged index that measures the performance of investment grade fixed-rate mortgage-backed passthrough securities of GNMA, FNMA, and FHLMC.

Barclays U.S. Corporate High Yield Bond Index is an unmanaged market value-weighted index that covers the universe of fixed rate, non-investment grade debt.

Barclays U.S. Corporate Investment Grade Index is a widely recognized index that tracks the performance of investment grade bonds.

Barclays U.S. CMBS Investment Grade Index measures the market of conduit and fusion CMBS deals with a minimum current deal size of \$300mn. The index is divided into two subcomponents: the U.S. Aggregate-eligible component, which contains bonds that are ERISA eligible under the underwriter's exemption, and the non-U.S. Aggregate-eligible component, which consists of bonds that are not ERISA eligible. The U.S. CMBS Investment Grade Index was launched on January 1, 1997.

Barclays US Treasury Inflation-Protection Securities (TIPS) Index consists of inflation-protection securities issued by the US Treasury. They must have at least one year until final maturity and at least \$250 million par amount outstanding. They are rated investment grade by at least two of the following ratings agencies: Moody's, S&P, Fitch. They must be fixed rate, dollar denominated and non-convertible.

Barclays U.S. Treasury Index includes public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Credit Suisse Leveraged Loan Index is a market-weighted index that tracks the performance of institutional leveraged loans.

Trade-Weighted U.S. Dollar Index is a measure of the value of the United States dollar relative to other world currencies.

Investors cannot invest directly in an index.

Beta is a measure of the volatility of a security or a portfolio in comparison to its benchmark.

Credit Spreads are the difference between the yields of sector types and/or maturity ranges.

Investment Risks:

Bonds offer a relatively stable level of income, although bond prices will fluctuate providing the potential for principal gain or loss. Intermediate-term, higher-quality bonds generally offer less risk than longer-term bonds and a lower rate of return. Generally, a fund's fixed income securities will decrease in value if interest rates rise and vice versa. Mortgage-backed investments involve risk of loss due to prepayments and, like any bond, due to default. Because of the sensitivity of mortgage-related securities to changes in interest rates, a fund's performance may be more volatile than if it did not hold these securities. U.S. Government guarantees apply only to the underlying securities of a fund's portfolio and not a fund's shares.

The views expressed herein are as of the quarter-end specified. This information is general in nature, provided as general guidance on the subject covered, and is not intended to be authoritative. It is subject to change without notice as market conditions change, and is not intended to predict the performance of any individual security, market sector, or RidgeWorth Fund. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decision.

Before investing, investors should carefully read the prospectus or summary prospectus and consider the fund's investment objectives, risks, charges and expenses. Please call 888.784.3863 or visit ridgeworth.com to obtain a prospectus or summary prospectus, which contains this and other information about the funds.

©2016 RidgeWorth Investments. All rights reserved. RidgeWorth Investments is the trade name for RidgeWorth Capital Management LLC, an investment adviser registered with the SEC and the adviser to the RidgeWorth Funds. RidgeWorth Funds are distributed by RidgeWorth Distributors LLC, which is not affiliated with the adviser. Seix Investment Advisors LLC is a registered investment adviser with the SEC and a member of the RidgeWorth Capital Management LLC network of investment firms. All third party marks are the property of their respective owners.

ridgeworth.com | 866.595.2470

3333 Piedmont Road, NE
Suite 1500
Atlanta, GA 30305



ABOUT RIDGEWORTH INVESTMENTS

RidgeWorth Investments—a global investment management firm headquartered in Atlanta, Georgia with approximately \$37.9 billion in assets under management as of March 31, 2016—offers investors access to a select group of boutique investment managers and subadvisers. RidgeWorth wholly owns three boutiques: Ceredex Value Advisors LLC, Seix Investment Advisors LLC and Silvant Capital Management LLC, and holds a minority ownership in Zevenbergen Capital Investments LLC. WCM Investment Management and Capital Innovations, LLC serve as subadvisers to the RidgeWorth Funds. Through these six investment managers, RidgeWorth offers a wide variety of fixed income and equity disciplines, providing investment management services to a growing client base that includes institutional, individual and high net worth investors.

For more information about RidgeWorth, its boutiques and its subadvisers, visit ridgeworth.com.



ABOUT SEIX INVESTMENT ADVISORS LLC

Seix Investment Advisors, one of RidgeWorth's investment management boutiques, has exclusively focused on managing fixed income assets since 1992. Seix seeks to generate competitive absolute and relative risk-adjusted returns over the full market cycle through a bottom-up focused, top-down aware process. Seix employs multi-dimensional approaches based on strict portfolio construction methodology, sell disciplines and trading strategies with prudent risk management as a cornerstone.

For more information about Seix, visit seixadvisors.com.